COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1606-03
Bill No.: HCS for HB 649
Subject: Disabilities; Social Services Department; Taxation and Revenue - Income; Tax Credits
Type: Original
Date: April 14, 2011

Bill Summary: This proposal creates a tax credit for contributions to developmental disability care providers and modifies provisions of the residential treatment agency tax credit program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	($1,000,000)	($5,780,552)	($5,780,552)
Total Estimated Net Effect on General Revenue Fund	**($1,000,000)**	**($5,780,552)**	**($5,780,552)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 135.327 Children In Crisis Tax Credit

Officials at the **Budget and Planning** assume this proposal will delay the sunset on the Children in Crisis Tax Credit from August 2012 to August 2018. Redemptions for this program totaled $420,857 in FY 2010. This proposal will reduce general and total state revenues by similar amounts annually beginning in FY 2013.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

Oversight assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 13 and FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being equal to the average amount issued over the last five years.

135.630 Pregnancy Resource Center Tax Credit

Officials from the **Budget and Planning** (**BAP**) assume the proposed legislation should not result in additional costs or savings to BAP. This proposal extends the PRC Tax Credit from August 2012 to August 2023. This proposal will reduce general and total state revenues.

Officials at the **Department of Revenue** assume no impact on the department.

Officials at the **Department of Social Services** assume no fiscal impact as this bill will re-authorize an existing program which was about to sunset.

Oversight assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit and therefore Oversight will show the loss to state revenue of the tax credits issued in FY 13 and FY 14. Oversight for the fiscal note is showing the amount of loss of revenue to the State as being the $2 million cap.

135.647 Food Pantry Tax Credit

Officials at the **Budget and Planning** assume no fiscal impact to BAP. This proposal repeals the 2011 sunset on the Food Pantry Tax Credit and extends the program to 2015and lowers the cap from $2 million to $1 million annually. $793,734 was redeemed in FY 2010. Therefore this proposal will reduce general and total state revenues by $.8 million to $1 million annually.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight assumes the program will have a one million dollar cap. Oversight assumes the extension of the sunset date from August 28, 2011 to August 28, 2015, would lower the net revenues of the state by the amount of the cap. Oversight is showing the loss to the General Revenue Fund as $1,000,000.

Section 135.1150 Residential Treatment Agency Tax Credit
Officials at the **Budget and Planning** (**BAP**) assume this proposal would allow a residential treatment agency (RTA) to apply for tax credits in an amount which does not exceed the amount of payments received by the agency from the Department of Social Services. BAP notes the agency is required to submit payment to the state before the tax credit is issued; therefore, this proposal will not impact general and total state revenues. DOR reports just under $552,000 in RTA redemptions in FY2010.

Officials at the **Department of Social Services** assume the cap on the Residential Treatment Tax Credit is also raised to 100% of what the provider was paid in the last year (RSMo135.1150.5). The current limit is 40% of what the provider was paid. There are only 4 providers who have taken advantage of the tax credit since its inception, and none of them has reached the 40% cap. This change should have minimal impact.

Oversight assumes this tax credit was to sunset on August 28, 2012. This proposal extends the tax credit to August 28, 2017. Oversight assumes that extension of the tax credit would result in no fiscal impact to total state revenue.

Section 135.1180 Developmental Disability Care Provider Tax Credit
Officials at the **Budget and Panning** assume this proposal creates a similar tax credit program for contributions made to Developmental Disability Care Providers. These agencies are required to submit payment to the state in amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this proposal will not impact general and total state revenues.

Officials at the **Department of Social Services** (**DOS**) assume this bill will create another tax credit for DOS to administer. The administration should be able to be accomplished with existing staff.

DOS already has the Residential Treatment Tax Credit, allowing agencies which contract with the Department to claim a tax credit of up to 40% of what DOS has paid the agency in the past 12 months. Many of the residential treatment providers also provide care to children with developmental disabilities, which would qualify them for the Developmental Disability Tax

ASSUMPTION (continued)

Credit. Since no agency is claiming the maximum allowed for the Residential Treatment Tax Credit, the second tax credit may be redundant for Department of Social Services residential treatment providers.

Officials at the **Department of Mental Health** assume that there is no fiscal impact from this proposal.

Officials at the **Department of Revenue** (**DOR**) assume section 135.1180 creates the "Developmental Disability Care Provider Tax Credit Program." This tax credit is for all tax years beginning on or after January 1, 2011, taxpayers will be allowed a credit against the taxes due under Chapters 143, 147, or 148 excluding withholding tax in an amount equal to 50% of the amount of an eligible donation, subject to the restrictions in this section. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state income tax liability. The credit is not refundable and may be carried forward four years. Tax credits issued under this section may be assigned, transferred, sold, or otherwise conveyed, and the new owner of the tax credit shall have the same rights in the credit as the taxpayer.

A provider may submit to DOS an application for the tax credit on behalf of taxpayers. DOS may create rules to implement the provisions of this section. The provisions of this program will sunset six year after August 31, 2011 unless re-authorized by the General Assembly.

DOR assumes DOR and ITSD-DOR will need to make processing changes to multiple processing systems. The Department will need to make forms changes. In addition Personal Tax and Corporate tax will each need a Revenue Processing Technician (starting salary $25,380) to handle the tax credit redemptions.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes that due to the limited number of individuals currently taking advantage of this program that DOR could absorb the duties of this bill with existing staff.

Section 137.1018 Rolling Stock Tax Credit
Oversight notes that this tax credit was set to sunset six years after August 28, 2008, which is August 28, 2014. This proposal would extend the sunset to August 28, 2020. No tax credits

ASSUMPTION (continued)

have been issued or redeemed under this program. The extension of the sunset could have an unknown cost to the General Revenue Fund in terms of lost revenue to the state. That impact however, would not occur within the period covered by this fiscal note.

Bill as a Whole
officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes that section 135.1180.4(3) requires payment from the provider equal to the

ASSUMPTION (continued)

amount of the value of the tax credit. Oversight assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the purpose of this note Oversight is showing all the payments and costs to general revenue. However, the overall result of this proposal is no impact to total state revenue.

This proposal could result in a decrease in Total State Revenues.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
Revenue - Dept of Social Services payment due with application (135.1180)	Unknown	Unknown	Unknown
Loss - Department of Social Services tax credit (135.1180)	(Unknown)	(Unknown)	(Unknown)
Loss - Department of Social Services extension of the Children In Crisis tax credit (135.327)	$0	($2,780,552)	($2,780,552)
Loss - Department of Social Services Extension of Pregnancy Resource Center tax credit (135.630)	$0	($2,000,000)	($2,000,000)
Loss - Department of Revenue food pantry tax credit extension (135.647)	($1,000,000)	($1,000,000)	($1,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($1,000,000)**	**($5,780,552)**	**($5,780,552)**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the Developmental Disability Care Provider Tax Credit Program which, beginning January 1, 2011, authorizes a tax credit of 50% of the amount of a taxpayer's contribution to a developmental disability care provider if the provider submits an application for the credit to the Department of Social Services on behalf of the taxpayer, provides the taxpayer's name and identification number and the date and amount of the donation, and pays the department an amount equal to the value of the credit. The credit is not refundable but can be carried forward for up to four years and is transferrable.

Currently, residential treatment agencies are not allowed to apply for residential treatment agency tax credits in an amount greater than 40% of the payments received by the agency from the department. The bill allows residential treatment agencies to apply for the tax credits in an amount that does not exceed the amount of payments received by the agency and extends the expiration date of the Residential Treatment Agency Tax Credit Program to August 28, 2017, and its termination date to September 1, 2018.

The provisions regarding the Developmental Disability Care Provider Tax Credit Program will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

JH:LR:OD

SOURCES OF INFORMATION

Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Revenue
Department of Social Services
Office of the Secretary of State

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Director
April 14 2011

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